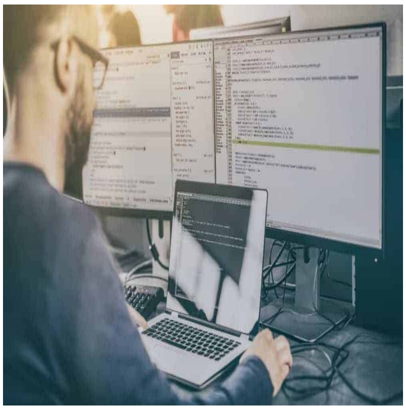

TSX Stocks: Is This 8.5% Dividend Safe?

Description

For dividend investors, the current environment offers the best place to buy stocks in the last decade. Numerous **TSX** stocks are offering significant yields — without the potential for substantial risk.

It's an investor's job to analyze that risk and determine which dividend yields are worth the investment.

The coronavirus pandemic has caused more uncertainty than anyone could have imagined. Not only are we unsure about the virus itself, but we are also uncertain about timelines, the effect on the economy as a whole, and the effect on individual businesses and industries.

Even investors have had a hard time figuring out which companies may be affected and which companies can remain resilient through all these negative developments.

For example, **Air Canada's** stock has been extremely volatile as investors grapple with whether the stock goes to $0 or if this is a great opportunity to buy it more than 65% off its highs.

Another stock that's been sold off is **NorthWest Healthcare Properties REIT** (TSX:NHW.UN).

Investors initially sold off NorthWest rapidly in the beginning, with the stock losing roughly half its value.

NorthWest has since gained back a lot of those losses. However, the stock remains nearly 30% off its 52-week high.

To me, it's a little peculiar such a top defensive stock like NorthWest would sell off in an environment like this. However, I've gladly used the opportunity to increase my position in this top TSX stock.

A top defensive TSX stock

NorthWest owns roughly 175 properties diversified across numerous markets in Canada, Brazil, Europe, Australia and New Zealand.

Roughly one-third of those properties are medical office buildings, and the remaining two-thirds are hospitals.

Healthcare is naturally a defensive industry, but NorthWest has taken that a step further, ensuring a large amount of its portfolio is tied directly or indirectly to public funding.

Roughly 85% of its revenues come from government funding in some form, which adds to the stability of the trust.

Just like any other business, it's not immune from being impacted by the coronavirus. However, the **TSX** stock still managed to collect roughly 95% of its rents in April.

The businesses missing out on rent are mostly cafes and small independent providers of non-essential, elective surgeries. These businesses are all temporarily shut down, although some have moved to telehealth.

Right now, first and foremost, the company is doing everything it can to help the industry in a crisis like this. However, despite that partner first attitude, most of the rent collections haven't been impacted.

NorthWest stock going forward

For NorthWest to be able to collect roughly 95% of its rents in April is a pretty strong number, especially when you consider that the trust has roughly 1,900 tenants and a 97.3% occupancy rate.

The company believes that the rent deferrals will mostly be paid in full when things return to normal. Many of these small businesses have seen demand build up as the economy has been shut down.

Furthermore, as providers of an essential service that is also inelastic and backed by government funding, healthcare should be among the first sectors to return to full capacity when we start to return to more normal operating conditions.

The large percent of government funding coupled with the essential services its tenants provide combine to make NorthWest one of the top defensive stocks on the TSX.

The stock's 8.5% dividend should remain stable, and with shares trading well below its 52-week high, there is still considerable potential for capital gains.

Bottom line

Real estate and healthcare have always been two of the most defensive industries, and NorthWest gives you exposure to both.

Plus, with its shares trading so undervalued and its dividend yield so attractive, it's one of the most attractive TSX stocks to consider buying in this environment.

CATEGORY

1. Coronavirus
2. Dividend Stocks

3. Investing

TICKERS GLOBAL

1. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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danieldacosta